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Gather Under the Glockenspiel

Legislative Testimony on Energy Choice Legislation
Before House Energy & Technology Committee – March 18, 2014

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Good Morning, I am Bill Zehnder. For those of you whom I have not yet met, I am President of Frankenmuth Bavarian Inn in Frankenmuth, in Saginaw County. My family has owned and operated the Bavarian Inn Restaurant since 1950. Before that our family was in the Restaurant business at Zehnder's Restaurant across the street. We started there in 1929 where my father (Tiny Zehnder) and his brothers and sisters grew up in the Restaurant business with their parents. Now there are TEN family members from THREE generations leading our Bavarian Inn companies in Frankenmuth and we employ just over 1,000 employees making us one of the largest employers in Saginaw County. Of course the heart of our business is the kitchen and my mom, Dorothy Zehnder, who just turned 92 on December 1st runs the heart of our house. She runs the kitchen 6 days a week – taking Mondays off – usually to bake or work on recipes at home!

It is still my cousins Al, Martha and Susie who lead and operate Zehnder's Restaurant across the street, in a friendly family competition.

At Bavarian Inn we serve about 600,000 meals a year in our Restaurant and overnight about 250,000 guests in our Lodge each year. I am very confident that we are the largest independent Restaurant in the world that purchases Michigan-based agricultural products. We buy tons and tons of cranberries, potatoes, cucumbers, squash, apples and more – ONLY in Michigan. Several years ago at the Lodge, we bought 100 new granite tops for our original guestrooms from the Blasius family in Tuscola, Michigan, that runs a small manufacturing company



and we continually strive to fill our equipment and other needs by purchasing from Michigan businesses.

We have mortgages and our banks expect prompt and consistent payments and like many companies, our capital expenditures HALTED for a period of time during Michigan's weaker economy. Where before we used to reinvest over 2 million dollars annually for improvements and growth, it dropped to \$200,000 for emergencies in 2009.

In the last several years we have been allowed to spend a bit more in Cap-Ex again, however we are still spending considerably less than historically necessary to sustain our improvements and growth due to rising food, insurance and utility costs. The Hotel and Restaurant business can be demanding. We, like the entire hospitality industry, have been burdened with higher food costs which are also impacted heavily by fuel costs, higher operating costs and of course, why I am here today – rising utility costs.

Annually our corporation spends approximately \$300,000 on natural gas and 1.2 million on electricity. Thanks to the legislators who over 25 years ago enacted the natural gas choice program, we have been able to save over 1.1 million dollars thru Stand Energy Corporation, a gas supplier of our choice which we have been able to reinvest back into the business. Other than food costs, electricity is the largest expenditure we have. In fact, Electricity expenditures represent about 15% of our total operating expenses.

Back Up Data:	Lodge:	Restaurant:	River Place:	Totals
12 months Elec. Bills	\$593,049	\$459,000	\$68,246	\$1,120,295
Total Operating Exp.:	\$3,585,440	\$3,459,786	\$617,210	\$7,662,436
Ratio:	16.6%	13.3%	11.1%	14.6%

Jim Engel, C.O.O. at the Lodge and Vern Schiefer, our Corporate Accountant began analyzing our energy costs in the spring of 2009 and met with and analyzed multiple energy companies who were offering the Energy Choice program for electricity.

Quotes in 2009 and estimates today reveal that we would be saving up to an estimated \$200,000 or 17% of our annual electricity costs if given the opportunity to purchase our electricity from a supplier of choice. Imagine the impact on Michigan's economy if the Bavarian Inn and the rest of the State's businesses were able to reinvest these savings in their businesses and employees. One of the most well known and respected businesses in the State, Bronner's CHRISTmas Wonderland of Frankenmuth are one of those businesses and I'd like to read a quote from Bob Spletzer, Bronner's Building Coordinator.

I quote, "Bronner's CHRISTmas Wonderland of Frankenmuth has been with an alternative electrical energy supplier for over 4 ½ years, having signed an agreement before the current 10% cap was reached. Our energy broker recently did a 12 month spreadsheet comparison analysis of our energy costs. It stated that over the 12 month period we realized a savings of at least 20% on our electricity.

We were fortunate enough to get in the Electric Choice program before the 10% cap was reached. Some of our good business friends in Frankenmuth, and others around the state, were not able to exercise that option because of the 10% cap. If the State of Michigan would raise or eliminate the cap, others around the state would at least have the same opportunity, such as we had several years ago, which is to be able to explore the various offerings that are available in the marketplace." End Quote.

Regarding the unfairness of the legislation enacted in 2008, would it ever be fair if legislation was enacted that would allow a portion of MI businesses to be exempt from collecting sales tax from its customers because they were the first percentages of businesses to apply for that exemption. CERTAINLY NOT, as this would give them a distinct advantage over their competition. And yet that's exactly what was done 6 years ago.

My cousins at Zehnder's across the street researched the Choice program a bit earlier and they made it in under the 10% Cap. Ironically we enrolled in the program on Friday August 13th, 2009. We found out on the next Monday that the program was capped and we were placed on a waitlist. I am at a disadvantage to many companies and even to my largest competitor right across the street. I don't feel government should be in the business of picking winners and losers and yet this restriction has done exactly that for 5 years.

Bill Parlberg, President of Zehnder's, Inc. recently again shared with us the benefits they have experienced with electric choice stating that they would also favor any increase or elimination of the 10% cap allowing other businesses and residents of the State the same benefits.

Today I'm sure you'll hear from the utility companies presenting concerns about price volatility, etc. resulting from increased electric choice. They have spent many dollars defending the status quo and limiting competition. And why shouldn't they? They have benefited greatly from limited competition but at the same time burdened Michigan businesses and residents alike with rate increases often 2 to 3 times the rate of inflation. That is price volatility heading in the wrong direction making it hard for business to thrive and perhaps for some businesses and residents to survive. I would rather hear from my utility company how they're going to keep my rates from skyrocketing. Unfortunately that hasn't happened in recent years and under the current legislation there is no incentive for them to do so.

I hope the statistics and the background on our business and industry help you understand why it is so very important to our survival that you consider eliminating the CAP on businesses who can have access to electricity competition by acting positively on House Bill 5184.

You as legislators are concerned about improving Michigan's economy. This electricity choice is an opportunity to do just that. Please assist other Michigan companies by giving them a CHOICE. The benefit to our great State of Michigan will be significant reinvestment by thousands of businesses and thus growth in employment and opportunity. My business would love to reinvest with the potential savings -- to buy more equipment, upgrade our facilities, hire more team members, pay more in wages and benefits, and buy more Michigan products.

Thank you to the Legislators who 26 years ago had this insight for the gas industry and thank you to the legislators today for addressing this critical issue. I hope to thank each of you in the months ahead for giving us the choice in electricity suppliers as well!!

Thank You.